

# Housing Comprehensive Plan Task Force

## Meeting Summary February 21, 2007

**Task Force members present:** Jim Bellus (Chair), Jim Erchul, Jon Gutzmann, Beverley Hawkins, Shawn Huckleby, Marjorie Mangine, Harry Melander, Gaius Nelson, Paul Rebholz, Jim Solem, Terri Thao, Missy Thompson, Mary Tingerthal, Linda White

**Task Force members absent:** Ilean Her, John Couchman, Jim Carlson-Otero, Susan McCall (excused), Margy Mattlin, Marilyn Porter, Maureen Warren (excused)

**Staff:** Bob Kessler (LIEP), Sheri Pemberton-Hoiby, Paul Mordorski, Luis Pereira, Yang Zhang (PED)

**Guests:** John Buzza (MICAH), Alicia Huckleby (St. Paul PHA), Patricia Whitney (St. Paul Association of Responsible Landlords)

Chair Bellus opened the meeting. He stated that the Central Corridor Task Force has been meeting for the past several months, and is interested in housing along the Central Corridor. He asked for volunteers from the Housing Task Force to serve on a sub-group that discusses Central Corridor housing strategies. Maureen Warren was not present but had expressed an interest to Chair Bellus. Other interested task force members include Jim Erchul, Shawn Huckleby, and Jon Gutzmann (Alicia Huckleby).

The first speaker was Jon Gutzmann, Executive Director of the St. Paul Public Housing Agency. He explained the Public Housing Agency's three major programs, all with Federal funding from HUD: public housing (operating fund), capital fund, and Section 8/Housing Choice Vouchers. The PHA has been designated a "High Performer" for 17 consecutive years, providing over 8,000 affordable homes to over 20,000 people. Properties owned by the PHA include over 4,000 apartments and houses (16 hi-rises and 4 family developments) and 414 scattered site homes, valued at \$440 million. Approximately 50% of Public Housing residents are Asian (a decrease from nearly 80% in the 1990s), and nearly 40% are African American or African. Forty-four percent of public housing family households work, with average earnings of \$20,000/year, or about 22% of Area Median Income). The PHA pays a total of \$34 million/year in Section 8 rent subsidies to private landlords of over 4,000 apartments. Under the Housing 5000 Program, PHA's Project-based Section 8 Assistance (PBA) supported 84 affordable units in 10 projects, helping the City achieve its policy goal of a minimum of 10% of all new units citywide being affordable to households at 30% of Area Median Income. Overall, PHA Project-based assistance has been tied to 342 new affordable units, including 152 units of supportive housing.

Despite the contributions of the PHA, Federal spending for public housing has been falling in the last several years. HUD's 2007 budget request is only 76% of what HUD says housing authorities need to manage well-run housing. The St. Paul PHA alone has endured \$12.2 million in capital budget cuts in the last 7 years, and \$7.15 million in operating fund cuts in the last 6 years.

PHA's current strategic plan contains a number of strategies to preserve the program, including staff reductions, selling excess land, selling scattered site homes with replacement, increasing tenant burden where permitted by law, delaying public housing utility allowance increase, and seeking new revenue producing ventures. Future survival entrepreneurial strategies include creating and holding non-HUD income producing assets, and managing non-HUD income producing assets. As a last resort, the PHA may consider selling a certain number of public housing units without replacement, or ask for assistance from the City of Saint Paul.

The Task Force agreed on the critical importance of public housing. They discussed actions that the local government may take to help the preservation of public housing, particularly about lobbying the federal government for funding increases for public housing. Project-based Section 8 Vouchers may also be used more if the City and developers are interested; it has worked well for supportive housing as operating subsidy. It is in the City's interest to work with the PHA to have increased federal funding for public housing. Finally, there may be a demand for just-below-market-rate senior housing (50-60% of AMI), as Dakota County HRA has demonstrated.

Jim Erchul of Dayton's Bluff Neighborhood Housing Services was the second speaker. He presented trends in housing rehabilitation. From 1995 to 2005, the US home improvement market nearly doubled in size from \$149 billion to \$280 billion. Owner occupied housing comprised the largest portion of the increase, while rental housing remodeling languished. The remodeling share of residential investment is projected to continue to increase over the coming decade. In St. Paul, the last citywide housing condition survey was conducted in 1988. The survey showed that in several census tracts, more than 30% of the one and two-family units and more than 46.7% of the multi-family structures were found deficient.

A 2004 survey of Railroad Island showed that 5% of its housing stock was deteriorated, 19% needed major rehab (\$75,000 to \$100,000) and 43% needed moderate rehab (\$50,000 to \$75,000). Only 12% of the residential buildings are found to be in good condition (compared with 20% in 1994). Based on a 1996 Dayton's Bluff housing condition survey, Jim estimates that in all of St. Paul's low-moderate income census tracts, just over half (51.3%) of the housing units were sound in 1997, a significant decrease from 75% in 1988. In 1997, the total cost for housing rehab was estimated at \$748 million for the City's urban core. According to HUD's Office of Policy Development and Research, 40% of the rehab need nationwide is unaffordable without some measure of subsidy). If you apply this standard (likely conservative, given the number of low income households in St. Paul's low/moderate income census tracts), the rehab subsidy needs in these census tracts approach \$300 million.

Subprime lending has also had an impact on housing rehab. Nationally the subprime market now accounts for more than 20% of the mortgage market. Approximately 80% of these subprime loans are refinances. About 90% of these subprime refinances are believed to involve taking cash out, and only a small percentage of the cash was used for home improvements.

The Task Force discussed the need for a new housing condition survey, with cooperation from the Department of Licensing, Inspections, and Environmental Protection (LIEP). LIEP also has existing data that would be useful for analyzing the condition of housing. Jim suggested that the City adopt a point-of-sale code enforcement ordinance, in addition to tightening up regulations on subprime lending and developing strategies to fight foreclosures.

Bob Kessler, Director of LIEP, spoke briefly on the City's approach on abatement and code enforcement. The number of registered vacant houses in St. Paul went up from the typical 350 – 450 a year to 950 currently; LIEP believes that the actual number of vacant houses is up to 1,600. The current schedule is to bring 20 properties per month to City Council for abatement. LIEP is supportive of the requirement to repair hazardous items found in the Truth-in-Sale-of-Housing inspection at the point of sale. LIEP is also interested in working with PED and other partners on housing condition research.

Task Force members had an extensive discussion on housing rehab and vacant buildings. There was agreement that demolition is necessary in some cases, especially given the scarcity of land, but it should receive input from the community. Urban land is likely to continue to be a “hot commodity,” and given the record number of foreclosures on single and two-family rental units, there is a unique environment for strategic demolition. However, there should be guidelines for demolition, based on the community, as well as the existing unit's energy-efficiency, and cost effectiveness of rehab. The City ought to engage in site assembly as well. The City should also enforce occupancy standards to prevent over-crowding.

One of the fundamental problems is that homebuyers are so stretched at the time of purchase that they simply do not have the money to take care of their home. This is a problem in both lower-income and middle-income neighborhoods. Homebuyers need to understand, from the beginning, that maintaining a house can be expensive.

The “affordable” housing that we refer to traditionally tend to be older and costly to maintain. They are often less efficient and incur high utility costs. A trend is that some homeowners who have used City (and DBNHS) rehab programs are having trouble paying loans back, which makes “recycling” difficult. New homeowners (especially new immigrants) need education and training on how to take care of their home. It should be done at the community level. There is consensus that there has been over-promotion of homeownership in the last several years. Our focus should be *sustainable* home-ownership. If we compare subsidies, mortgages tax deduction is a much bigger federal subsidy than what affordable housing (public housing agencies) receives overall.

The final plan should have a robust section on “Taking Care of What We Have.” Due to limited public resources, the City needs to be strategic and creative in its use of funding, such as using it as a credit enhancer through a revolving loan. Another idea is to have matching rehab fund that encourages owners to use home equity on home improvement. Overall, we need to engage private resources, including but not limited to banks, private corporations, homeowners, and businesses. With the oncoming increase in Code Enforcement, the City needs to promote its housing resources as well (housing inspectors and PED rehab staff should partner and be in communication).

The meeting adjourned at 6:00 p.m.

**Next Meetings:**

- March 21, 2007, 4 – 6 p.m., Rondo Community Outreach, Task Force Meeting on Corridor Housing
- March 28, 2007, 4 – 6 p.m., Central Corridor Resource Center (Old Lexington Library), 1080 University Avenue W. Topic: Affordable Housing for Households with Low-Moderate Incomes